

TAX Tidbits

October 2024



400 East Water Street
Elmira, NY 14901
607-734-2665

447 East Water Street
Elmira, NY 14901
607-733-9022

24 West Market Street
Corning, NY 14830
607-936-1203

www.valicenti.com



40
Years of
Cultivating
Relationships

~ Our Clients Come First ~

Beneficial Ownership Information Reminder

In 2021, Congress enacted the Corporate Transparency Act. This law creates Beneficial Ownership Information (BOI) reporting requirement as part of the government of the United States efforts to make it harder for bad actors to hide or benefit from their ill-gotten gains through shell companies or other opaque ownership structures.

Beginning on January 1, 2024, many companies and trusts in the United States will have to report information about their beneficial owners. The individuals who ultimately own or control the company. They will have to report the information to the Financial Crimes Enforcement Network (FinCEN). FinCEN is a bureau of the U.S. Department of the Treasury.

Companies required to report are called reporting companies. Reporting companies may have to obtain information from their beneficial owners and report that information to FinCEN.

Your company may be a reporting company and need to report information about its beneficial owners if your company is:

1. A corporation, a partnership, a limited liability company, LLC, or was otherwise created in the United States by filing a document with a secretary of state or any similar office under the law of a state or Indian tribe; or
2. A foreign company and was registered to do business in any U.S. state or with an Indian tribe by such a filing.

Twenty-three types of entities are exempt from the beneficial ownership information reporting requirements. These entities include publicly traded companies, nonprofits and certain large operating companies.

Reporting companies will have to report beneficial ownership information electronically through FinCEN's website: www.fincen.gov/boi. Once filed, the system will provide the filer with confirmation of receipt. It is advised you make and keep a copy for your permanent records.

Reports will be accepted starting on January 1, 2024.

- If your company was created or registered prior to January 1, 2024, you will have until January 1, 2025, to report BOI.
- If your company is created or registered on or after January 1, 2024, you must report BOI within 90 days of notice of creation or registration. January 1, 2025 this is to be 30 days.
- Any updates or corrections to beneficial ownership information that you previously filed with FinCEN must be submitted within 30 days.

Reporting companies who do not comply with the Corporate Transparency Act may face penalties up to \$500 per day that a violation continues. Criminal penalties include a \$10,000 fine and/or up to two years of imprisonment. If a report is filed that contains mistakes or an omission of information, you can correct the report within 90 days to avoid penalties.

Both the House of Representatives and the Senate have introduced legislation to delay the implementation of this law. As of this date, no further action has been taken.

The BOI reporting to FinCEN is neither a part of the tax filing of your business tax return nor that of your personal state or federal filing. We suggest you consult with your legal representative regarding any required filing.

Please visit FinCEN for additional information and to see if you need to file.

Tax Rates and Deductions For Tax Year 2025

The tax year 2025 adjustments described below generally apply to income tax returns to be filed starting tax season 2026. The tax items for tax year 2025 of greatest interest to many taxpayers include the following dollar amounts:

Standard Deductions – For single taxpayers and married individuals filing separately for tax year 2025, the standard deduction rises to \$15,000, an increase of \$400 from 2024. For married couples filing jointly, the standard deduction rises to \$30,000, an increase of \$800 from tax year 2024. For heads of households, the standard deduction will be \$22,500 for tax year 2025, an increase of \$600 from tax year 2024.

Marginal Rates – For tax year 2025, the top tax rate remains 37% for individual single taxpayers with incomes greater than \$626,350 (\$751,600 for married couples filing jointly). The other rates are:

- 35% for incomes over \$250,525 (\$501,050 for married couples filing jointly).
- 32% for incomes over \$197,300 (\$394,600 for married couples filing jointly).
- 24% for incomes over \$103,350 (\$206,700 for married couples filing jointly).
- 22% for incomes over \$48,475 (\$96,950 for married couples filing jointly).
- 12% for incomes over \$11,925 (\$23,850 for married couples filing jointly).
- 10% for incomes \$11,925 or less (\$23,850 or less for married couples filing jointly).

Changes to Retirement Plans for 2025 Under the SECURE 2.0 Act

Catch Up Contributions – In 2001, catch-up contributions allowed employees age 50 and older to make additional deposits into their tax-advantaged retirement savings accounts. The limit on catch-up contributions for 401(k)s for 2024, is \$7,500 — the same as it was in 2023, bringing the total contribution limit to \$30,500. For 2024, eligible taxpayers can contribute \$23,000 to their 401(k) account and that was up from \$22,500 last year. Effective for the 2025 tax year, active participants aged 60 through 63 can contribute the greater of \$10,000 or 150% of the 2024 catch-up contribution limit that is indexed for inflation. In 2025, the total limit for 401(k) contributions for those aged 60 to 63 is \$10,000.

Simple IRAs – Annual employee deferrals to Simple IRAs had a limit of \$16,000 in 2024, but individuals aged 50 or older are allowed to make an additional “catch-up” contribution of \$3,500, for a total of \$19,500. Beginning in 2025, there will be an increase in the

catch-up contribution limits for participants who have reached ages 60 through 63. The new catch-up contribution limit will increase to the greater of \$5,000 or 150% of the regular age 50 catch-up contribution limit for SIMPLE IRA plans in 2025.

401(k) Enrollment – In an effort to increase Retirement savings for individuals, SECURE 2.0 Act requires new 401(k) plans established on or after December 29, 2022, to implement an automatic enrollment feature in 2025 unless an exception applies. The initial automatic enrollment contribution amount must be at least 3%, but not more than 10%. Each year thereafter, that amount increases by 1% until it reaches at least 10%, but not more than 15%. Automatic enrollment does not mean mandatory participation. Employees can change the rate or can opt out by electing a 0% contribution rate.

New 10-Year Rule For Inherited IRAs Takes Effect – In general, for most beneficiaries, the new rules are fairly simple. If you inherited an IRA from someone who died on or after January 1, 2020, you are required to withdraw all funds in the IRA no later than December 31 of the tenth full calendar year following the death of the individual from whom you inherited the IRA.

This rule did away with the stretch IRA strategy allowed owners of IRAs to pass along the assets in the account from one generation to the next while taking advantage of prolonged tax-deferred growth of the assets by using a prolonged distribution period.

There are exceptions for inherited IRAs. The following types of beneficiaries can still utilize the ‘stretch IRA’:

- Surviving spouses
- A child of the decedent under the age of 21
- A beneficiary who is not more than 10 years younger than the decedent
- An individual who is disabled or chronically ill

If you are one of these types of beneficiaries described above, you must still withdraw funds from the inherited IRA over your lifetime beginning in the year following the decedent’s death.

A Surviving spouse can transfer the inherited funds into their own IRA and is not required to start withdrawing funds until they reach the required beginning date (RBD).

Inherited IRA RMD Penalties Take Effect – The IRS delayed the implementation of the final rules governing RMDs from inherited IRAs, until 2025. However, the IRS has provided transitional relief for beneficiaries who did not take RMDs from their inherited IRAs in 2021 through 2024. Starting in 2025, a 25% penalty will be assessed for those who do not take their RMD.

Sources IRS and Kiplinger